

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 L-03 SS-15 NSC-10 PRS-01

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R 051035Z JUL 73

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 5713

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E.O. 11652: N/A

TAGS: ETRN, NP

SUBJECT: RNAC MANAGEMENT CONTRACT

1. FOLLOWING RNAC CHAIRMAN MALHOTRA'S RETURN FROM FRANCE AND U.S., EMBASSY HAS RECEIVED VARYING REPORTS ON STATUS OF RNAC MANAGEMENT CONTRACT CURRENTLY HELD BY AIR FRANCE. SOURCE WITHIN MINISTRY OF TRANSPORTATION WHO IS USUALLY WELL INFORMED ON RNAC AFFAIRS REPORTS THAT AIR FRANCE HAS REQUESTED EXCLUSIVE AIR TRAFFIC RIGHTS INTO NEPAL FROM U.S. AND EUROPE IN RETURN FOR CONTINUING PRESENT MANAGEMENT ARRANGEMENT UNDER WHICH AIR FRANCE PROVIDES TECHNICAL ASSISTANCE TO RNAC AT LESS THAN COST. SOURCE REPORTS THAT MALHOTRA DOES NOT WISH COMBINE MANAGEMENT CONTRACT WITH TRAFFIC RIGHTS, WHICH HE BELIEVES ARE SEPARATE ISSUES THAT SHOULD BE NEGOTIATED INDEPENDENTLY. OPINION THIS SOURCE IS THAT JULY 16, WHICH MARKS THIRD YEAR ANNIVERSARY OF CONTRACT WITH AIR FRANCE, IS CRUCIAL DATE AND THAT RNAC MUST DECIDE BY THEN UNDER LEGAL TERMS OF CONTRACT WHETHER TO CONTINUE WITH PRESENT ARRANGEMENT.

2. IN ORDER FURTHER VERIFY STATUS OF RNAC-AIR FRANCE ARRANGEMENT EMBASSY OFFICER HAD LONG
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CONVERSATION WITH MALHOTRA ON JULY 4. MALHOTRA SAID THAT IN HIS ROLE AS RNAC CHAIRMAN HE WAS

INTERESTED IN THREE ISSUES: A) RNAC MANAGEMENT CONTRACT; B) TRAFFIC RIGHTS; C) GENERAL SALES AGENCY FOR RNAC. WITH REGARD TO MANAGEMENT CONTRACT MALHOTRA SAID THAT THERE WERE AIRLINES THAT CERTAINLY COULD DO BETTER JOB THAN AIR FRANCE WAS CURRENTLY DOING, BUT THAT THERE WAS ALSO QUESTION OF WHAT COST WOULD BE. HE SAID THAT MANAGEMENT OF RNAC WOULD BE DIFFICULT JOB FOR ANY AIRLINE AND WHAT WAS REQUIRED ABOVE ALL WAS THICK SKIN (WHICH HE EVIDENTLY THOUGHT PRESENT FRENCH TEAM POSSESSED) TO WITHSTAND DAILY VERBAL ASSAULTS AND PRESS ABUSE. MALHOTRA SAID THERE WAS NOTHING PARTICULARLY SIGNIFICANT ABOUT JULY 16 DATE, AND THAT RNAC COULD CANCEL CONTRACT WITH AIR FRANCE AT ANY TIME BY GIVING SIX MONTHS NOTICE. (ALTHOUGH WESTERN LAWYERS MIGHT HAVE PROBLEMS WITH THIS INTERPRETATION OF CONTRACT'S CANCELLATION PROVISIONS, IT IS APPARENTLY GON POSITION.) IN REPLY TO INQUIRY, MALHOTRA SAID THERE WAS NO REASON FOR AMERICAN AIRLINES TO RUSH TO KATHMANDU TO DISCUSS CONTRACT, AND THAT THEY COULD "TAKE THEIR TIME." HE SAID FRENCH COULD STAY UNTIL THEY REALLY DID SOMETHING "BAD," OR UNTIL SOMEONE CAME UP WITH OFFER THAT WAS SO ATTRACTIVE THAT RNAC COULD NOT AFFORD TO TURN IT DOWN. AMERICAN COMPANIES SHOULD BE ADVISED, MALHOTRA SAID, NOT TO COME TO KATHMANDU WITH STARS IN THEIR EYES THINKING RNAC WAS DESPERATE FOR OUTSIDE HELP, BUT RATHER TO COME PREPARED TO OFFER REASONABLE TERMS AND PROGRAM THAT WOULD BE OF REAL BENEFIT TO RNAC. MALHOTRA ADDED THAT AIRLINES WERE NOT ONLY SOURCE OF POSSIBLE ASSISTANCE, AS RNAC COULD CONSIDER SOME FORM OF AID ASSISTANCE (FRANCE?) OR USE OF CONSULTANTS.

3. ON SUBJECT OF TRAFFIC RIGHTS MALHOTRA SAID THAT NEW KATHMANDU AIRPORT WOULD BE READY IN 1975 AND THAT ALL AIRLINES WERE WELCOME TO COME TO KATHMANDU TO DISCUSS TRAFFIC RIGHTS. HE SAID THAT RNAC WAS A REGIONAL AIRLINE WITH NO REAL INTEREST IN GLOBAL LIMITED OFFICIAL USE
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ROUTES, AND THAT IT SHOULD THEREFORE BE POSSIBLE TO WORK OUT ARRANGEMENTS WHICH WOULD BE OF REAL BENEFIT TO LARGE INTERNATIONAL AIRLINES AS WELL AS TO RNAC. HE EMPHASIZED THAT RNAC WOULD HAVE TO GET A FAIR SHAKE IN ANY NEGOTIATIONS ON TRAFFIC RIGHTS.

4. WITH REGARD TO SUBJECT OF SALES AGENCY FOR RNAC, MALHOTRA SAID THAT HE WAS GOING TO CANCEL PRESENT SALES AGENCY ARRANGEMENT WITH AIR FRANCE, WHICH HAS

NOT WORKED OUT. HE WOULD SOON BE LOOKING FOR SOMEONE ELSE TO REPRESENT RNAC, AND WOULD WELCOME ALL BIDDERS.

5. ACTION REQUESTED:

A) NOTIFY PANAM, TWA, AND ANY OTHER U.S. FIRMS WITH POSSIBLE INTEREST, OF CONTENTS ABOVE PARAS.

B) INFORM PANAM OFFICIALS, WHO MALHOTRA SAW IN NEW YORK, THAT MALHOTRA APPARENTLY BELIEVES PANAM PRICE IS TOO HIGH. (NEPAL IS ACCUSTOMED TO GETTING ASSISTANCE AT LITTLE OR NO COST, AND TERMS CONTAINED IN ANY CONTRACT APPROXIMATING NORMAL COMMERICAL ARRANGEMENT PROBABLY APPEAR UNDULY HIGH TO NEPALI EYES.)

C) INFORM TWA REP HEVELER IN NEW YORK THAT IN RESPONSE STATE 123394 EMBASSY HAD OBTAINED APPOINTMENT JUNE 28 WITH MALHOTRA. COMMERCIAL TELEGRAM WHICH WE RECEIVED JUNE 28 INFORMING EMBASSY THAT HEVELER HAD CANCELLED PLANS FOR TRIP APPRECIATED, AND THERE SHOULD BE NO PROBLEM IN ARRANGING SOME FUTURE APPOINTMENT WITH MALHOTRA.
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